



**A Message from Mercedes Márquez, Assistant Secretary for Community Planning and Development  
To All Formula Grantees**

This notice is intended to provide you with information needed to understand and anticipate changes in funding levels for the Community Development Block Grant (CDBG) and HOME Investments Partnership program in your community for fiscal year (FY) 2012, as compared with FY2011. New Census data and reduced appropriations—based on the appropriations bill passed last month by Congress—will mean significant decreases in expected formula funding levels for many grantees. The Office of Community Planning and Development is providing this information ahead of the formal notice of allocations to assist you in planning efforts for the upcoming year.

Decennial Census and the American Community Survey

The law implementing the CDBG program calls for HUD to use “the most recent data compiled by the United States Bureau of the Census” for allocating CDBG funds (42 U.S.C. 5302 (b)). In accordance with this mandate, FY 2012 marks the first year that the CDBG allocation formula will rely on the Census Bureau’s new annual data source—the American Community Survey (ACS)—and the 2010 Census population counts. Similarly, the HOME statute requires its formula to be based on the most recent census data in FY 2012. Allocations for the Emergency Solutions Grant (formerly Emergency Shelter Grant) program are based on the prior year’s CDBG formula calculation. So, for jurisdictions receiving ESG allocations, the new data will not have a significant impact until FY 2013.

Moving to the ACS will have the effect of more gradual year-to-year adjustments as data elements change year-to-year based on a 5-year rolling average instead of being recalculated only once every 10 years. Overall population data will continue to rely on the decennial census with yearly adjustments based on Census population estimates.

You can review the estimated effects of the formula data change based on FY 2011 Grants for CDBG [here](#) and HOME [here](#). The HUD Office of Policy Development and Research has also prepared a study, available ([PDF](#) or [HTML](#)), which analyzes the effect of new Census data and the American Community Survey on the CDBG formula allocation. I urge you to review these to understand the broad impact of the revised data.

FY 2012 Budget

On November 18, 2011 the President signed the Consolidated and Further Continuing Appropriations Act, 2012, which establishes HUD’s budget for FY 2012. The Act requires HUD to notify its formula grantees of allocations within 60 days of enactment. Please note that this letter and attachments do not constitute formal notification of HUD’s budget allocation but rather

represent preliminary estimates. HUD will be notifying grantees individually of their official formula allocations—including ESG and HOPWA—according to the normal process.

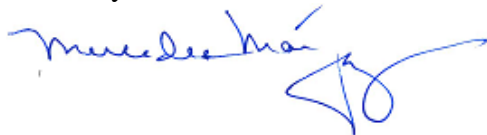
While our budget demonstrates an ongoing commitment to the critical CDBG and HOME programs to help states and localities continue to navigate these difficult economic times, it also represents a significant cut from last year's budget. The FY 2012 budget for the CDBG formula allocation that was included in the appropriations bill adopted by Congress is approximately \$2.948 billion, a reduction from approximately \$3.302 billion in FY 2011, representing a reduction of approximately 11 percent reduction in total available funding. The FY 2012 budget for HOME is \$1 billion, a reduction of 38 percent from approximately \$1.6 billion in FY 2011.

#### Effects of New Census Data and Budget Cuts

The following [table](#) provides an estimate of the combined effect of the new Census data and the FY 2012 budget on expected CDBG and HOME program funding for our grantees for FY 2012. As stated above, these numbers are preliminary estimates only and are subject to revision in advance of the formal notification of your HUD formula grant program allocations.

We understand that the data and budget reductions will make FY 2012 a difficult period of adjustment for many of our grantees. We are committed to doing everything we can to support you in this period of transition.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mercedes Márquez", followed by a stylized flourish.

Mercedes Márquez  
Assistant Secretary of Community Planning  
and Development